

First In, First Out Inventory (FIFO)

Using the price of merchandise purchased first to calculate the cost merchandise sold first.

Last In, First Out Inventory (LIFO)

Using the price of merchandise purchased last to calculate the cost merchandise sold first.

FIRST-IN, FIRST-OUT INVENTORY COSTING METHOD

Purchase Dates	Units Purchased	Unit Price	Total Cost	FIFO Units on Hand	FIFO Cost
January 1, beginning inventory	17	\$23.00	\$ 391.00		
March 17, purchases	8	25.00	200.00		
June 29, purchases	12	26.00	312.00		
August 25, purchases	10	27.00	270.00	9	\$243.00
November 4, purchases	18	28.00	504.00	18	504.00
Totals	65		\$1,677.00	27	\$747.00

1. Total Units on Hand
2. Units from the Most Recent Purchase
3. Units Needed to Equal the Total Units on Hand
4. Unit Price Times Fifo Units
5. Total Fifo Cost

LAST-IN, FIRST-OUT INVENTORY COSTING METHOD

Purchase Dates	Units Purchased	Unit Price	Total Cost	LIFO Units On Hand	LIFO Cost
January 1, beginning inventory	17	\$23.00	\$ 391.00	2 17	\$391.00
March 17, purchases	8	25.00	200.00	3 8	200.00
June 29, purchases	12	26.00	312.00	2	52.00
August 25, purchases	10	27.00	270.00	4	
November 4, purchases	18	28.00	504.00		
Totals	65		\$1,677.00	1 27	\$643.00

1. Total Units on Hand
2. Beginning Inventory Units
3. Units from the Earliest Purchase
4. Units Needed to Equal the Total Units on Hand
5. Unit Price Times Lifo Units
6. Total Lifo Cost

WEIGHTED-AVERAGE INVENTORY COSTING METHOD

Purchases			Total Cost
Date	Units	Unit Price	
January 1, beginning inventory	17	\$23.00	\$ 391.00
March 17, purchases	8	25.00	200.00
June 29, purchases	12	26.00	312.00
August 25, purchases	10	27.00	270.00
November 4, purchases	18	28.00	504.00
Totals	65	1	\$1,677.00

Total of Beginning
Inventory and Purchases
\$1,677.00

Total Units
65

Weighted-Average
Price per Unit
\$25.80

2

Units in
Ending Inventory
27

Weighted-Average
Price per Unit
\$25.80

Cost of
Ending Inventory
\$696.60

3

1. Total Cost of Inventory Available
2. Weighted-Average Price per Unit
3. Cost of Ending Inventory

Cost of Merchandise Sold

$$\begin{array}{ccccc} \text{Cost of} & & \text{Inventory Method} & & \text{Cost of} \\ \text{Merchandise} & - & \text{(FIFO, LIFO,} & = & \text{Merchandise} \\ \text{Available} & & \text{Weighted Avg.)} & & \text{Sold} \end{array}$$

COMPARISON OF INVENTORY METHODS

	Fifo	Lifo	Weighted Average
Cost of Merchandise Sold:			
Merchandise Inventory, Jan. 1	\$ 391.00	\$ 391.00	\$ 391.00
Net Purchases	1,286.00	1,286.00	1,286.00
Merchandise Available for Sale	\$1,677.00	\$1,677.00	\$1,677.00
Less Ending Inventory, Dec. 31	747.00	643.00	696.60
Cost of Merchandise Sold	\$ 930.00	\$1,034.00	\$ 980.40
<i>In a period of rising prices:</i>			
Relative Cost of Ending Inventory	highest	lowest	intermediate
Relative Cost of Merchandise Sold	lowest	highest	intermediate

***Make sure the same method is used for each fiscal period**